

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**

**Release No. 9642 / September 5, 2014**

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 73016 / September 5, 2014**

**INVESTMENT COMPANY ACT OF 1940**

**Release No. 31243 / September 5, 2014**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-16056**

**In the Matter of**

**MARK CROSBY NEVDAHL**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTION 8A OF THE  
SECURITIES ACT OF 1933, SECTION 15(b)  
OF THE SECURITIES EXCHANGE ACT OF  
1934, AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF 1940,  
MAKING FINDINGS, IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 9(b) of the Investment Company Act of 1940 against Mark Crosby Nevdahl (“Nevdahl” or Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Section 15(b) of the Securities Exchange Act of 1934, and Section 9(b) of the Investment

Company Act of 1940, Making Findings, Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### **III.**

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

#### **Summary**

These proceedings arise out of Respondent’s role as a registered representative and a trustee for certain of his former clients who held the majority of stock in Heart Tronics, Inc. The clients enlisted Nevdahl to act as trustee for a number of purportedly blind trusts to create the façade that the shares were under his control, as an independent trustee. However, the trusts were blind in name only, and Nevdahl met his clients’ regular demands for cash by continually selling Heart Tronics stock through the trusts. The trusts were further designed to avoid the required regular public disclosures under the federal securities laws of his clients’ stock sales.

#### **Respondent**

1. Respondent, 52 years old, is a resident of Spokane, Washington. From November 1984 through December 2011, Respondent was a registered representative associated with broker-dealers registered with the Commission. Respondent participated in an offering of Heart Tronics, Inc. stock, which was a penny stock.

#### **Other Relevant Persons and Entities**

2. Heart Tronics, Inc. (formerly known as Signalife, Inc.) is a Delaware corporation now headquartered in Van Nuys, California. Between 2002 and 2011, Heart Tronics maintained its principal places of business in Studio City, California and Greenville, South Carolina. During the same period, its stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act, and it filed reports with the Commission pursuant to Section 13 of the Exchange Act.

3. ARC Finance Group, LLC (“ARC Finance”) is a Delaware limited liability company formed in 2002 that became the majority shareholder of Heart Tronics in 2002.

4. Mitchell Jay Stein (“Stein”) is the husband of the sole managing member of ARC Finance. From at least 2002 to 2011, Stein held himself out as the outside legal counsel to Heart Tronics. In May 2013, Stein was found guilty of 14 felony counts for misconduct related to Heart Tronics. Stein is presently incarcerated in the custody of the U.S. Department of Justice, Bureau of Prisons. In January 2012, the California Bar ordered Stein’s law license inactive, and in October 2013 his law license was suspended after his conviction.

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<sup>1</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## **Background**

5. In approximately September 2002, one of Respondent Nevdahl's brokerage clients, ARC Finance, became the majority shareholder of Heart Tronics, when it acquired 23.4 million shares (approximately 85% of the company's outstanding equity) in exchange for consideration valued at \$78,023. In June 2005, Heart Tronics registered the resale of 3.5 million shares of the stock held by ARC Finance. From July 2005 to October 2005, ARC Finance directly sold 344,200 shares pursuant to the registration statement.

6. Beginning in 2005, Stein devised a scheme to sell ARC Finance's shares without publicly registering or reporting the sales, as required under the federal securities laws. The scheme created the appearance that ARC Finance was not selling the previously-registered shares but, rather, holding them as a long-term investment.

7. Beginning in approximately December 2005, ARC Finance transferred a portion of its holdings to two purportedly blind trust accounts, established for the benefit of ARC Finance and Stein. Respondent Nevdahl was appointed trustee for each trust and served as the securities broker for each trust. This created the appearance that the stock was held by independent legal entities controlled by Nevdahl and that neither ARC Finance nor Stein had control over the disposition of the trusts' assets.

8. Notwithstanding the fact that the trusts were purportedly blind, ARC Finance, through Stein and his wife, retained control over the shares that were transferred to these trusts. At Stein's direction, Nevdahl did not re-title the securities in the name of the trusts. In addition, although the trusts were purportedly "blind," Nevdahl took explicit instructions from Stein over the trusts' corpus. Among other things, Stein (1) told Nevdahl to generate enough cash (necessitating the sale of stock) each month to meet the Steins' lifestyle demands; (2) told Nevdahl how to vote shares on proxy ballots; and (3) negotiated "private placements" to sell shares held by one of the trusts in off-the-market transactions. Stein also directed Nevdahl to wire the proceeds generated by Nevdahl's share sales to bank accounts in the name of Stein and ARC Finance.

9. Although the trust indentures placed the obligation on Nevdahl (as trustee) to file reports of any transactions in the trusts required by the federal securities laws, Stein informed Nevdahl that the sales in the trusts were exempt from the reporting requirements under the federal securities laws because the trusts were "blind" and held less than 10% of Heart Tronics' equity. Nevdahl performed no independent analysis of this and other issues pertaining to the propriety of the trusts' stock sales, nor did he seek express approval from his firm regarding these sales.

10. Between approximately December 2005 and September 2008, the Steins, through transactions executed by Nevdahl, secretly directed the sale of more than three million shares of Heart Tronics stock through the trusts, for gross proceeds of more than \$5.8 million.

11. Neither Stein, ARC Finance, nor any of the trusts managed by Nevdahl filed any reports with the Commission on Forms 3, 4 or 5 during this period.

12. Nevdahl was paid brokerage commissions and trustee fees for his work as trustee and broker for the purportedly blind trusts.

13. As a result of the conduct described above, Nevdahl willfully<sup>2</sup> violated Section 17(a)(3) of the Securities Act, which makes it unlawful for any person in the offer or sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by the use of mails, directly or indirectly, to engage in any transaction, practice or course of business which operates or would operate as a fraud or deceit upon the purchaser.

### **Undertakings**

Respondent has undertaken to provide the Commission, within thirty (30) days after the end of the six month suspension period described herein, an affidavit that he has complied with the sanctions described in Section IV below.

### **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Nevdahl's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Section 15(b) of the Exchange Act, and Section 9(b) of the Investment Company Act of 1940, it is hereby ORDERED that:

A. Respondent Nevdahl cease and desist from committing or causing any violations and any future violations of Section 17(a)(3) of the Securities Act.

B. Respondent be, and hereby is, for a period of six (6) months, effective on the second Monday following the entry of this Order:

suspended from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

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<sup>2</sup> A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

suspended from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer, or issuer for the purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

- C. Respondent shall comply with the undertaking enumerated in Section III above.

By the Commission.

Jill M. Peterson  
Assistant Secretary